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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

June 2015: budgetary surplus of $1.1 billion

There was a budgetary surplus of $1.1 billion in June 2015, compared to a surplus of $1.6 billion in June 2014. Revenues increased by $0.6 billion, or 2.6 per cent, due mainly to higher revenues from excise taxes and duties. Program expenses increased by $1.6 billion, or 8.2 per cent, largely reflecting the accrual of benefits related to the expansion and enhancement of the Universal Child Care Benefit (UCCB) for the April to June 2015 period following Royal Assent of enabling legislation in June. Public debt charges decreased by $0.5 billion, or 20.3 per cent, due mainly to lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to June 2015: budgetary surplus of $5.0 billion

For the April to June 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $5.0 billion, compared to a surplus of $0.4 billion reported in the same period of 2014–15. Revenues were up $6.2 billion, or 9.2 per cent, largely reflecting increased revenues from income taxes, excise taxes and duties, and the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015. Program expenses were up $2.2 billion, or 3.7 per cent, due mainly to an increase in major transfers to persons, reflecting in large part the accrual of benefits related to the expansion and enhancement of the UCCB for the April to June 2015 period. Public debt charges were down $0.6 billion, or 8.0 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Quarterly update of the fiscal outlook

In accordance with the Government's commitment made in the *Federal Accountability Action Plan* to update government fiscal forecasts for the current fiscal year on a quarterly basis, the June 2015 *Fiscal Monitor* provides an update of the fiscal outlook for 2015–16.

The financial results for the first three months of the fiscal year provide limited information with respect to the outlook for the year as a whole. That being said, the financial results through the April to June 2015 period are consistent with the fiscal projection for 2015–16 presented in the budget.

June 2015

There was a budgetary surplus of $1.1 billion in June 2015, compared to a surplus of $1.6 billion in June 2014.

Revenues increased by $0.6 billion, or 2.6 per cent, to $24.3 billion.

- Personal income tax revenues were down $0.2 billion, or 1.6 per cent, reflecting timing issues which raised May 2015 receipts but lowered June 2015 receipts.
- Corporate income tax revenues were down $6 million.
- Non-resident income tax revenues were up $0.1 billion, or 30.6 per cent.
- Excise taxes and duties were up $0.5 billion, or 11.3 per cent, driven mainly by a $0.3 billion, or 8.7 per cent, increase in Goods and Services Tax (GST) revenues. Energy taxes were up $10 million, while customs import duties and other excise taxes and duties were each up $0.1 billion.

- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.8 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.1 billion, or 4.7 per cent.

Program expenses in June 2015 were $21.3 billion, up $1.6 billion, or 8.2 per cent, from June 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $1.3 billion, or 21.9 per cent. Elderly benefits increased by $0.2 billion, or 6.7 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.1 billion, or 6.3 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the UCCB, increased by $1.2 billion, primarily reflecting the accrual of benefits related to the expansion and enhancement of the UCCB for the April to June 2015 period following Royal Assent of enabling legislation in June.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government decreased by $0.4 billion, or 6.9 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was more than offset by a decrease in transfers to Canada's cities and communities due to year-over-year timing differences.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.7 billion, or 8.4 per cent. Within direct program expenses:
  - Transfer payments increased by $0.5 billion, or 22.7 per cent, due in large part to timing factors.
  - Other direct program expenses increased by $0.2 billion, or 3.0 per cent.

Public debt charges decreased by $0.5 billion, or 20.3 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to June 2015

For the April to June 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $5.0 billion, compared to a surplus of $0.4 billion reported during the same period of 2014–15.

Revenues increased by $6.2 billion, or 9.2 per cent, to $73.3 billion.

- Personal income tax revenues were up $1.7 billion, or 5.5 per cent.
- Corporate income tax revenues were up $0.5 billion, or 5.2 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 5.1 per cent.
- Excise taxes and duties were up $1.1 billion, or 9.3 per cent, largely reflecting an increase in GST revenues of $0.8 billion, or 10.4 per cent. Energy taxes, customs import duties and other excise taxes and duties each increased by $0.1 billion.
- EI premium revenues were up $0.3 billion, or 3.7 per cent, reflecting growth in earnings.

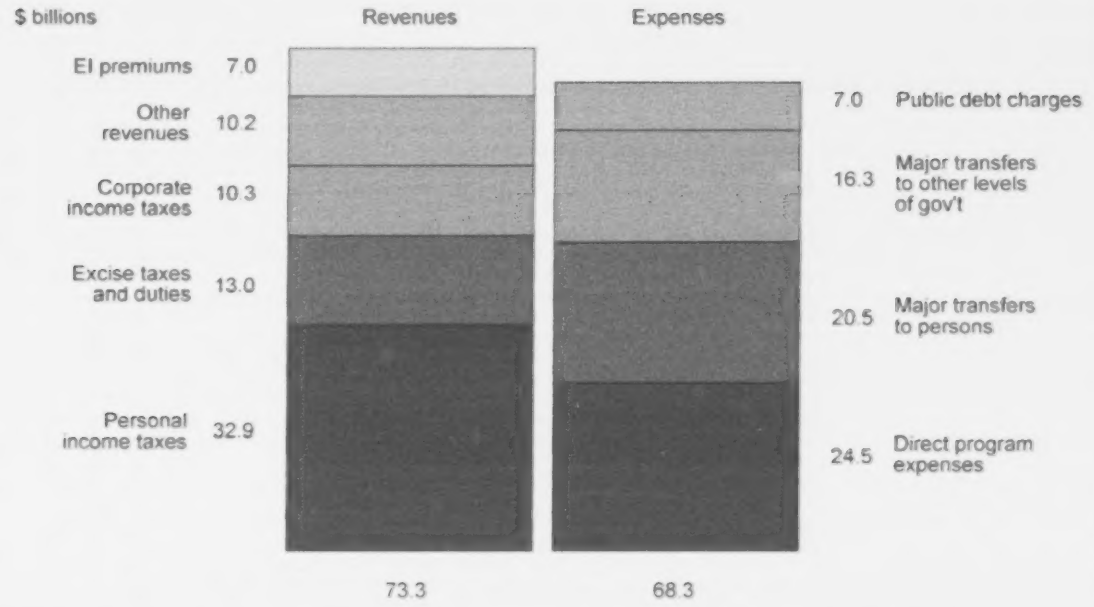
- Other revenues were up $2.5 billion, or 39.8 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

For the April to June 2015 period, program expenses were $61.3 billion, up $2.2 billion, or 3.7 per cent, from the same period the previous year.

- Major transfers to persons were up $2.0 billion, or 10.9 per cent. Elderly benefits increased by $0.6 billion, or 5.5 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.2 billion, or 5.1 per cent. Children's benefits were up $1.2 billion, or 37.3 per cent, largely reflecting the accrual of benefits related to the expansion and enhancement of the UCCB.
- Major transfers to other levels of government were up $0.1 billion, or 0.8 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by a decrease in transfers to Canada's cities and communities due to year-over-year timing differences.
- Direct program expenses were up $40 million, or 0.2 per cent. Within direct program expenses:
  - Transfer payments increased by $0.4 billion, or 5.2 per cent, primarily reflecting timing factors.
  - Other direct program expenses decreased by $0.3 billion, or 1.9 per cent, due in large part to a decrease in pension and benefit costs, offset in part by an increase in operating expenses of Crown corporations.

Public debt charges decreased by $0.6 billion, or 8.0 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to June 2015)



Note: Totals may not add due to rounding.

Financial requirement of $5.3 billion for April to June 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $5.0 billion and a requirement of $10.3 billion from non-budgetary transactions, there was a financial requirement of $5.3 billion for the April to June 2015 period, compared to a financial requirement of $1.1 billion for the same period the previous year.

Net financing activities up $5.3 billion

The Government financed this financial requirement of $5.3 billion by increasing unmatured debt by $5.3 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and foreign currency borrowings.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of June 2015 stood at $28.0 billion, down $3.7 billion from their level at the end of June 2014.

Table 1
Summary statement of transactions
$ millions

	June		April to June	
	2014	**2015**	**2014–15**	**2015–16**
Budgetary transactions				
Revenues	23,655	24,264	67,157	73,315
Expenses				
Program expenses	-19,662	-21,269	-59,112	-61,296
Public debt charges	-2,422	-1,930	-7,621	-7,008
Budgetary balance (deficit/surplus)	1,571	1,065	424	5,011
Non-budgetary transactions	962	-4,880	-1,476	-10,263
Financial source/requirement	2,533	-3,815	-1,052	-5,252
Net change in financing activities	-10,738	-8,236	6,698	5,301
Net change in cash balances	-8,205	-12,051	5,646	49
Cash balance at end of period			31,718	27,999

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	June			April to June		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,672	10,497	-1.6	31,147	32,851	5.5
Corporate income tax	4,076	4,070	-0.1	9,788	10,298	5.2
Non-resident income tax	431	563	30.6	1,304	1,370	5.1
Total income tax	15,179	15,130	-0.3	42,239	44,519	5.4
Excise taxes and duties						
Goods and Services Tax	2,933	3,189	8.7	8,019	8,851	10.4
Energy taxes	425	435	2.4	1,284	1,376	7.2
Customs import duties	370	444	20.0	1,087	1,207	11.0
Other excise taxes and duties	493	629	27.6	1,483	1,548	4.4
Total excise taxes and duties	4,221	4,697	11.3	11,873	12,982	9.3
Total tax revenues	19,400	19,827	2.2	54,112	57,501	6.3
Employment Insurance premiums	2,087	2,167	3.8	6,721	6,971	3.7
Other revenues	2,168	2,270	4.7	6,324	8,843	39.8
Total revenues	23,655	24,264	2.6	67,157	73,315	9.2

Note: Totals may not add due to rounding.

Table 3
Expenses

	June			April to June		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,543	3,781	6.7	10,669	11,259	5.5
Employment Insurance benefits	1,419	1,330	-6.3	4,583	4,816	5.1
Children's benefits	1,056	2,224	110.6	3,215	4,414	37.3
Total	6,018	7,335	21.9	18,467	20,489	10.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,677	2,836	5.9	8,029	8,507	6.0
Canada Social Transfer	1,048	1,080	3.1	3,145	3,240	3.0
Total	3,725	3,916	5.1	11,174	11,747	5.1
Fiscal arrangements and other transfers	1,625	1,687	3.8	5,514	5,718	3.7
Canada's cities and communities	630	0	-100.0	630	0	-100.0
Quebec Abatement	-376	-384	2.1	-1,128	-1,153	2.2
Total	5,604	5,219	-6.9	16,190	16,312	0.8
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	318	335	5.3	1,610	1,597	-0.8
Agriculture and Agri-Food	37	113	205.4	79	175	121.5

Employment and Social Development	326	733	124.8	1,000	1,374	37.4
Foreign Affairs, Trade and Development	104	171	64.4	470	530	12.8
Health	272	201	-26.1	946	861	-9.0
Industry	171	239	39.8	523	531	1.5
Other	973	908	-6.7	2,440	2,367	-3.0
Total	2,201	2,700	22.7	7,068	7,435	5.2
Other direct program expenses						
Crown corporations	388	662	70.6	1,575	2,030	28.9
National Defence	1,518	1,634	7.6	4,591	4,621	0.7
All other departments and agencies	3,933	3,719	-5.4	11,221	10,409	-7.2
Total other direct program expenses	5,839	6,015	3.0	17,387	17,060	-1.9
Total direct program expenses	8,040	8,715	8.4	24,455	24,495	0.2
Total program expenses	19,662	21,269	8.2	59,112	61,296	3.7
Public debt charges	2,422	1,930	-20.3	7,621	7,008	-8.0
Total expenses	22,084	23,199	5.0	66,733	68,304	2.4

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	June		April to June	
	2014	**2015**	**2014–15**	**2015–16**
Budgetary balance (deficit/surplus)	1,571	1,065	424	5,011
Non-budgetary transactions				
Capital investment activities	-442	-560	-645	-722
Other investing activities	-231	-175	2,291	-301
Pension and other accounts	517	-152	875	253
Other activities				
Accounts payable, receivables, accruals and allowances	-2,519	-4,884	-8,597	-12,958
Foreign exchange activities	3,289	478	3,507	2,284
Amortization of tangible capital assets	348	413	1,093	1,181
Total other activities	1,118	-3,993	-3,997	-9,493
Total non-budgetary transactions	962	-4,880	-1,476	-10,263
Financial source/requirement	2,533	-3,815	-1,052	-5,252

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	June		April to June	
	2014	**2015**	**2014–15**	**2015–16**
Financial source/requirement	2,533	-3,815	-1,052	-5,252
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-7,638	-7,689	1,252	-988
Treasury bills	-2,500	-2,800	7,400	5,200
Retail debt	-14	-21	-80	-58
Other	0	0	0	0
Total	-10,152	-10,510	8,572	4,154
Foreign currency borrowings	-193	1,594	-220	1,060
Total	-10,345	-8,916	8,352	5,214
Cross-currency swap revaluation	-550	542	-1,766	-215
Unamortized discounts and premiums on market debt	95	176	99	393
Obligations related to capital leases and other unmatured debt	62	-38	13	-91
Net change in financing activities	-10,738	-8,236	6,698	5,301
Change in cash balance	-8,205	-12,051	5,646	49

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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